

SB 467

# Repeal of the Michigan Community Foundation Tax Credit Impacts Charitable Giving

In tax year 1989, Michigan's Charitable Tax Credit for Community Foundations went into effect, providing a Tax Credit of 50% for donations to an endowed fund held by a community foundation certified by the State of Michigan. The Credit was worth up to \$200 for a couple or \$100 for an individual, and up to \$5,000 or 10% of Michigan business tax liability—whichever was less.

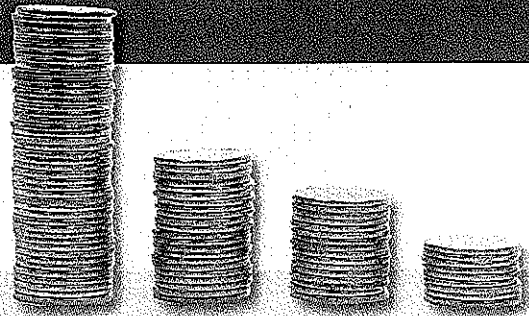
## The Charitable Tax Credit for Community Foundations was repealed effective with the 2012 tax year.

The **Council of Michigan Foundations** contracted the **Dorothy A. Johnson Center for Philanthropy** to survey Michigan Community Foundations to determine the impact to community foundations for each of the two years after repeal.

The survey inquired about changes in the number of \$200 and \$400 donations—the amounts that would trigger the maximum Tax Credit. Individuals or couples who gave at these amounts are presumed to have been motivated in part by the Tax Credit.

THE SURVEY FINDINGS SUGGEST  
THAT THE IMPACT OF THE REPEAL  
HAS BEEN SIGNIFICANT.

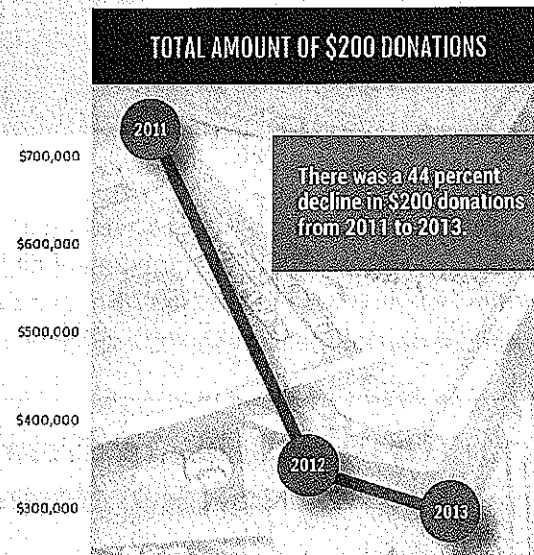
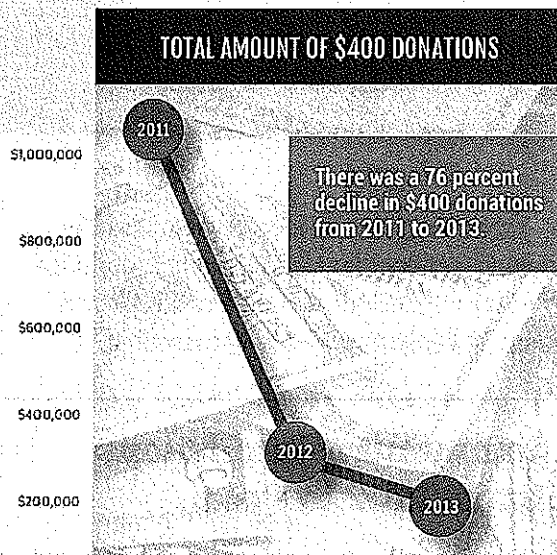
The average number of donations at the key dollar amounts decreased significantly from 2011 - 2013.



*"While the individual \$200 and \$400 gifts were wonderful, it was the relationships that we started as a result of these Tax Credit gifts that is the greatest loss. In 2013, we had 89% fewer first-time \$200/\$400 donors than we did in 2010. **The loss of the Tax Credit has significantly reduced our pipeline of new donors and will reduce the amount of permanent resources we have to address our community's most critical needs forever.**"*

## CHANGES IN DONATION PATTERNS

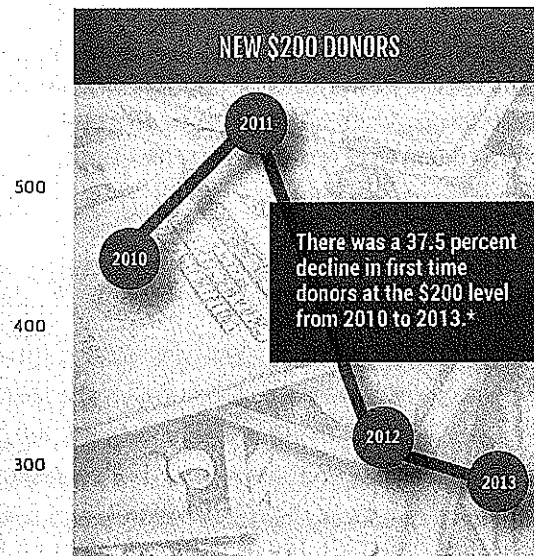
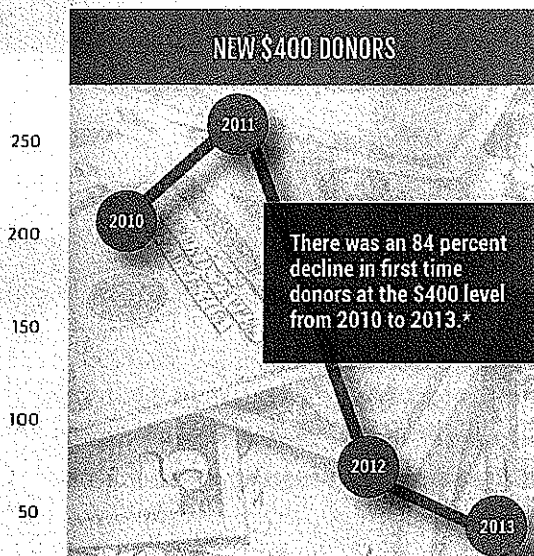
The average amount of \$200 and \$400 donations for all community foundations together decreased significantly from 2011 - 2013.



*"Before the repeal, we would get hundreds of these \$200-400 donations. When the Credit ended, our contributions dropped to zero. **Before we were bringing in probably upwards of \$100,000/year and when the incentive was taken away this went away completely.** The repeal also affected other donors because we used to get a lot of year-end contributions that have now dropped by around 50%."*

## FIRST TIME DONORS

The most dramatic change over the 2011 - 2013 time period is in the number of new donors.



*\*In 2011, there was an increase of first time donors who gave at the \$200 and \$400 levels. This may be due to community foundation campaigns to increase giving as a "last chance opportunity" to take advantage of the tax credit.*

***"I think our numbers speak for themselves. We have seen big changes in our giving as it relates to the MI Tax Credit ...***

*There is a perception that only very rich people give to community foundations. By being able to talk about a \$200 or a \$400 gift, it made everyone feel good about giving to their community foundation and being proud of their support. Of course, those small entry level gifts help us to build a pipeline of donors too!"*